CELL THERAPEUTICS INC Form 10-Q November 09, 2006 Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: September 30, 2006

OR

" TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 001-12465

CELL THERAPEUTICS, INC.

(Exact name of registrant as specified in its charter)

Washington (State or other jurisdiction of

incorporation or organization)

501 Elliott Avenue West, Suite 400

91-1533912 (I.R.S. Employer

Identification No.)

98119

Edgar Filing: CELL THERAPEUTICS INC - Form 10-Q

Seattle, Washington

(Address of principal executive offices)

(Zip Code)

(206) 282-7100

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No $\ddot{}$

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer " Accelerated filer x Non-accelerated filer "

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes "No x

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date:

Class Common Stock, no par value **Outstanding at October 31, 2006** 144,652,751

CELL THERAPEUTICS, INC.

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CELL THERAPEUTICS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)

SSERS Numerit		September 30, 2006 (unaudited)		December 31, 2005	
2ash and cash equivalents \$ 16,128 \$ 50,02 Restricted cash 57 25,59 Securities available-for-sale 13,29 18,88 Interest receivable 645 18 Accounts receivable, net 339 2,30 Prepaid expenses and other current assets 11,062 10,10 Total current assets 9,013 12,27 Joodwill 17,064 17,064 Other intangibles, net 1,799 2,23 Other intangibles, net 1,550 16,78 Fotal assets \$ 120,986 \$ 155,44 Caccurde expenses \$ 120,986 \$ 155,44 Cancert liabilities: 3 3 7,55 3 Accourde expenses \$ 6,087 \$ 3,37 Current portion of deferred revenue \$ 6,090 \$ Current portion of long-term obligations 2,701 2,88 \$ Current portion of convertible senior notes 5,342 7,214	ASSETS	(1			
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Prepaid expenses and other current assets 11,062 10,10 Total current assets 9,013 12,27 Joodwill 17,064 17,064 Other intagibles, net 17,09 2,23 Other assets 13,550 16,78 Total assets 13,550 16,78 Total assets \$ 120,986 \$ 15,544 LABLITIES AND SHAREHOLDERS DEFICIT					2,306
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Goodwill 17,064 17,064 17,064 Dther intangibles, net 1,799 2.23 Dther assets 13,550 16,78 Fotal assets \$ 120,986 \$ 155,44 LABILITIES AND SHAREHOLDERS DEFICIT S 6,087 \$ 3,337 Accounts payable \$ 6,087 \$ 3,337 Accounts payable \$ 6,087 \$ 3,37 Accounts payable \$ 9,087 \$ 3,37 Current portion of deferred revenue \$0 \$ \$ 8 \$ Current portion of convertible senior notes 31,981 30,78 \$ \$ \$ 9,049 \$ \$ \$ \$ \$ \$ 1,22,07 \$ \$ \$ \$ \$	Total current assets		79,560		107,076
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Duter assets13,55016,78Fotal assets\$120,986\$155,44LABILITIES AND SHAREHOLDERS DEFICITCurrent liabilities:3,37Accounts payable\$6,087\$3,37Accounts payable23,11317,55Current portion of deferred revenue808Current portion of convertible senior notes2,7012,88Current liabilities31,98130,78Deferred revenue, less current portion49855Long-term obligations, less current portion5,2427,32Convertible senior notes50,40951Convertible senior notes50,40951Convertible senior notes6,95472,14Convertible senior notes28,49029,64Convertible senior notes550,409Stareholders deficit55Prefered stock, no par value:55Authorized shares - 100,00055Series C, 100,00055Series C, 200,000,00055Sevel and outstanding shares - 137,073,731 (unaudited) and 73,421,721 at September 30, 2006 and721,54	Goodwill		17,064		17,064
Foral assets \$ 120,986 \$ 155,44 LIABILITIES AND SHAREHOLDERS DEFICIT	Other intangibles, net		1,799		2,239
LABILITIES AND SHAREHOLDERS DEFICIT Current liabilities: Accounts payable S 6,087 S 3,37 Accrued expenses 23,113 17,55 Current portion of long-term obligations 2,701 2,88 Current portion of convertible senior notes Cong-term obligations, less current portion 5,242 7,32 7,5% convertible senior notes Cong-term obligations 2,5% Convertible senior notes Cong-term obligations 2,57 122,07 Convertible senior notes Convertible subordinated notes Convertib	Other assets		13,550		16,783
Current liabilities: \$ 6,087 \$ 3,37 Accuued expenses 23,113 17,55 Current portion of deferred revenue 80 8 Current portion of convertible senior notes 2,701 2,88 Current portion of convertible senior notes 31,981 30,78 Convertible senior notes 31,981 30,78 Construction of convertible senior notes 31,981 30,78 Construction of convertible senior notes 31,981 30,78 Construction of convertible senior notes 5,242 7,32 Constructible senior notes 50,409 55 Convertible senior notes 6,954 72,14 Convertible senior notes 82,557 122,07 Convertible senior notes 82,557 122,07 <td< td=""><td>Total assets</td><td>\$</td><td>120,986</td><td>\$</td><td>155,440</td></td<>	Total assets	\$	120,986	\$	155,440
Accounts payable \$ 6,087 \$ 3,37 Accrued expenses 23,113 17,55 Current portion of deferred revenue 80 8 Current portion of long-term obligations 2,701 2,88 Current portion of convertible senior notes 6,90 7 Fotal current liabilities 31,981 30,78 Order evenue, less current portion 5,242 7,32 .ong-term obligations, less current portion 5,242 7,32 .5% convertible senior notes 50,409 5 .5% convertible senior notes 6,954 72,14 Convertible senior subordinated notes 28,490 29,64 Convertible senior subordinated notes 28,490 29,64 Commitments and contingencies 5 5 Shareholders deficit 7 7 Preferred stock, no par value: 7 7 Authorized shares - 10,000,000 5 5 5 Series C, 100,000 shares designated, none issued or outstanding 5 5 Commotin stock, no par value: 7	LIABILITIES AND SHAREHOLDERS DEFICIT				
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Convertible senior subordinated notes82,557122,07Convertible subordinated notes28,49029,64Commitments and contingencies28,49029,64Shareholders deficit:Preferred stock, no par value:28,490Preferred stock, no par value:28,49029,64Authorized shares - 10,000,000Series C, 100,000 shares designated, none issued or outstanding28,490Common stock, no par value:20,000,00020,000Sauda and outstanding shares - 137,073,731 (unaudited) and 73,421,721 at September 30, 2006 and28,600Deferred stock-based compensation(1,66Accumulated other comprehensive loss(1,055)(1,68)			,		
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Commitments and contingencies Shareholders deficit: Preferred stock, no par value: Authorized shares - 10,000,000 Series C, 100,000 shares designated, none issued or outstanding Common stock, no par value: Authorized shares - 200,000,000 Ssued and outstanding shares - 137,073,731 (unaudited) and 73,421,721 at September 30, 2006 and December 31, 2005, respectively 843,600 721,54 Deferred stock-based compensation Accumulated other comprehensive loss (1,055) (1,68	Convertible senior subordinated notes				122,079
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Preferred stock, no par value: Authorized shares - 10,000,000 Series C, 100,000 shares designated, none issued or outstanding Common stock, no par value: Authorized shares - 200,000,000 Ssued and outstanding shares - 137,073,731 (unaudited) and 73,421,721 at September 30, 2006 and December 31, 2005, respectively 843,600 721,54 Deferred stock-based compensation (1,66 Accumulated other comprehensive loss (1,055) (1,68	Commitments and contingencies				
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December 31, 2005, respectively843,600721,54Deferred stock-based compensation(1,66Accumulated other comprehensive loss(1,055)					
Deferred stock-based compensation(1,66Accumulated other comprehensive loss(1,055)(1,68)	Issued and outstanding shares - 137,073,731 (unaudited) and 73,421,721 at September 30, 2006 and December 31, 2005, respectively		843,600		721,544
Accumulated other comprehensive loss (1,055) (1,68					(1,669)
•	Accumulated other comprehensive loss		(1,055)		(1,683)
	Accumulated deficit				(825,289)

Total shareholders deficit	(85,145)	(107,097)
Total liabilities and shareholders deficit	\$ 120,986	\$ 155,440

See accompanying notes.

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CELL THERAPEUTICS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

(unaudited)

	Three Months Ended September 30, 2006 2005			Nine Months Ended September 30, 2006 2005		
Revenues:						
Product sales	\$	\$ 1,190	\$	\$ 14,599		
License and contract revenue	20	101	60	300		
Total revenues	20	1,291	60	14,899		
Operating expenses:						
Cost of product sold		60		518		
Research and development	14,809	13,340	46,516	55,582		
Selling, general and administrative	9,032	12,500	27,452	49,475		
Amortization of purchased intangibles	200	236	588	731		
Restructuring charges and related asset impairments	25	5,077	367	7,049		
Gain on divestiture of TRISENOX		(30,500)		(30,500)		
Total operating expenses	24,066	713	74,923	82,855		
Income (loss) from operations	(24,046)	578	(74,863)	(67,956)		
Other income (expense):						
Investment and other income	607	414	1,843	1,326		
Interest expense	(3,552)	(2,955)	(16,888)	(10,842)		
Foreign exchange gain (loss)	(115)	(104)	997	98		
Make-whole interest expense	(213)		(24,753)			
Gain (loss) on derivative liabilities	(879)		5,204			
Gain on exchange of convertible notes			7,978			
Settlement expense			(1,919)			
Loss on extinguishment of royalty obligation		(6,437)		(6,437)		
Other expense, net	(4,152)	(9,082)	(27,538)	(15,855)		
Net loss	\$ (28,198)	\$ (8,504)	\$ (102,401)	\$ (83,811)		
Basic and diluted net loss per share	\$ (0.25)	\$ (0.13)	\$ (1.00)	\$ (1.32)		
Shares used in calculation of basic and diluted net loss per share	111,560	63,515	102,132	63,385		

See accompanying notes.

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CELL THERAPEUTICS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(unaudited)

		Nine Months Ended September 30,	
	2006	2005	
Operating activities		.	
Net loss	\$ (102,401)	\$ (83,811)	
Adjustments to reconcile net loss to net cash used in operating activities:	1.0.50	= 104	
Depreciation and amortization	4,850	7,426	
Equity-based compensation expense	3,579	2,516	
Loss on disposition of property and equipment	91	83	
Amortization of investment premium	85	271	
Non-cash gain on exchange of convertible notes	(7,978)		
Non-cash gain on derivative liabilities	(5,204)		
Non-cash interest expense	10,445	719	
Asset impairments		2,563	
Gain on divestiture of TRISENOX		(30,500)	
Loss on extinguishment of royalty obligation		6,437	
Non-cash rent (benefit) expense	(11)	135	
Loss on sale of investment securities		14	
Changes in operating assets and liabilities:			
Restricted cash	877		
Interest receivable	(458)	48	
Accounts receivable, net	1,532	(1,855)	
Inventory		4	
Prepaid expenses and other current assets	3,182	1,443	
Other assets	103	(1,029)	
Accounts payable	(1,480)	(3,433)	
Accrued expenses	3,084	(8,703)	
Deferred revenue	(60)	1,568	
Excess facilities obligations	(1,913)	4,675	
Other long-term obligations	(416)	3,740	
Total adjustments	10,308	(13,878)	
Net cash used in operating activities	(92,093)	(97,689)	
Investing activities			
Net proceeds from divestiture of TRISENOX		67,061	
Purchases of securities available-for-sale	(57,635)	(26,922)	
Proceeds from maturities of securities available-for-sale	25,113	13,494	
Proceeds from sales of securities available-for-sale	23,115	15,815	
Purchases of property and equipment	(472)	(1,946)	
Proceeds from sale of property and equipment	511	(1,740)	
rocceds from sale of property and equipment	511		
Net cash provided by (used in) investing activities	(32,483)	67,502	

Financing activities

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Sale of common stock, net of offering costs	37,903
Proceeds from issuance of 7.5% convertible senior notes, net	31,177
Release of restricted cash related to 6.75% convertible senior notes	24,712